



## **Fair Practices Code for Lenders**

**August 2019**

## **ESAF Small Finance Bank- Fair Practices Code for Lenders**

### **1. The Bank declares and undertakes**

- i. To provide professional, efficient, courteous, diligent and speedy services.
- ii. Not to discriminate customers on the basis of religion, caste, sex or descent.
- iii. To be fair and honest in advertising and marketing of its Loan Products.
- iv. To provide customers with accurate and timely disclosure of terms, costs, rights and liabilities with regard to loan transactions and if sought, to provide such assistance or advice to customers in contracting loans.
- v. To attempt in good faith to resolve any disputes or differences with customers by setting up complaint redressal mechanism within the Bank.
- vi. To comply with all the regulatory requirements with regard to lending activities.

### **2. Loan applications and processing**

The loan application forms would include information about interest rates, processing fees and other charges, fees refundable in the case of non-acceptance of application (if applicable), pre-payment options and charges, penalty for delayed repayments, conversion charges for switching loan from fixed to floating interest rates or vice versa, existence of any interest reset clause and any other matter which might affect the interest of the borrower. Further, such information including the all-in-cost would also be made available to the borrower as part of the facility terms.

The Bank would provide a clear, concise, one-page key fact statement/fact sheet, in the format prescribed by RBI, to all individual borrowers at every stage of the loan processing and in case of any change in any of the terms and conditions.

Receipt of completed application forms will be duly acknowledged. The acknowledgement would include the time frame within which loan applications up to Rs.2 lakhs will be disposed of and in the case of other loans, the approximate date by which the applicant should call on the Bank for preliminary discussions, if deemed necessary.

The Bank would display on its website the range of interest rate for loans contracted in the past quarter for different categories of retail advances granted to individual borrowers along with mean interest rates for such loans.

The total fees and charges applicable on various types of loans to individual borrowers would be disclosed at the time of processing of loan. It would also be displayed on the website of the Bank. The Bank would publish Annual Percentage Rate (APR) representing the total cost of credit on a loan to an individual borrower.

All Retail and Micro Credit loan applications will be disposed of within a period of 4 weeks from the date of receipt of duly completed loan applications i.e. with all the requisite information/papers. However, in the case of Corporate/ SME loans, where the credit proposals originate through detailed interaction with the borrowers, an acknowledgment process may not be followed.

If additional details / documents are required, the Bank would intimate the borrowers. In case of rejection of loan application, the same would be conveyed in writing along with the main reason(s), which led to rejection of the loan application. The time frame for conveying the reason/s of rejection will be as per Schedule given below:

Priority Sector	Duration
Up to Rs.25000	Within 2 weeks
> ₹.25000 and up to ₹.5.00 lakh	Within 4 weeks
> ₹.5.00 lac	Within 8-9 weeks

Non- Priority Sector	Duration
Fund Based	Within 6 weeks
Non-Fund Based	Within 8 weeks

The above time frame for disposal of applications is from the date of receipt of loan application, complete in all respects.

### 3. Product Information

- i. A prospective borrower would be given necessary information about the range of loan products available with the Bank to suit his/her needs. On exercise of choice, the customer would be given the relevant information about the loan product of choice.
- ii. The Customer would be explained of the processes involved till sanction and disbursement of loan and the timeframe within which all the processes will be completed.
- iii. The Customer would be informed of the names and phone numbers of persons, whom he/she can contact for the purpose of loan to suit his/her needs.
- iv. The Customer would also be informed of the procedure involved in servicing and closure of the loan taken.

### 4. Interest Rates and Charges

- i. Interest Rates and charges for different loan products would be made available through any one or all of the following media, namely: Bank's website; through prominent display in the Branches and at other delivery points, from time to time.
- ii. Customers would be entitled to receive periodic updates on the interest rates applicable to their accounts.
- iii. On demand, customers can have full details of method of application of interest.
- iv. Any revision in interest rates or charges will be notified to the customer through any of the media (stated above).

### 5. Loan appraisal and terms/conditions

The Bank will have a process to assess the credit requirement and creditworthiness of borrowers. Stipulation of margin and security will be based on due diligence and creditworthiness of borrowers in line with extant Loan Policy of the Bank. The assessment is based on all credit related information and such other information as may be called for/collected by the Bank.

The Bank would convey to the borrower the credit limit and details of facilities along with the terms and conditions thereof and keep the borrower's acceptance on record. The terms and conditions and other caveats governing credit facilities given by the Bank, would be communicated to the borrower, under the signatures of authorised official. A copy of the loan agreement along with a copy of all enclosures quoted in the loan agreement would be furnished to the borrower.

The loan agreement will, as far as possible, stipulate the terms & conditions relating to the credit facilities that are solely at the discretion of the Bank. These may include approval

or disallowance of facilities, such as drawings beyond the sanctioned limits, honouring cheques issued for a purpose other than specifically agreed to in the credit sanction and disallowing drawing on a borrower account on its classification as a Non Performing Asset (NPA) or in the event of default or on account of non-compliance with the terms of sanction. The Bank would not have an obligation to meet further requirements of the borrowers on account of growth in business etc. without proper review of credit limits.

## **6. Disbursements of loans including changes in terms and conditions**

The Bank will ensure timely disbursement of loans sanctioned in conformity with the terms and conditions governing such sanction and will give notice of any change in the terms and conditions including interest rates, service charges etc. The Bank would ensure that changes in interest rates and charges are effected only prospectively (unless otherwise required by regulation/law).

## **7. Post disbursement supervision**

The post disbursement supervision by the Bank, particularly in respect of loans up to Rs. 2 lakhs would be constructive with a view to taking care of any genuine difficulty that the borrower may face. For collection purposes, the Bank will adhere to the policy guidelines as uploaded on the Bank's website titled 'Guiding Principles of Bank's Collection Policy and Code of Conduct for Collection staff'. Further the Bank reiterates the following points with regard to post disbursement supervision:

- i. Inappropriate occasions such as bereavement in the family or events of similar nature, if known to the Bank, will be avoided for making calls or visits.
- ii. Before taking decision to recall / accelerate payment or performance under the terms of facility or seeking additional securities, the Bank would give notice to borrowers, as specified in the facility terms or a reasonable period if no such condition exists in facility terms (unless the security is in jeopardy).
- iii. The Bank would release all securities on receiving payment of loan or realisation of loan, subject to any legitimate right or lien for any other claim the Bank may have against the borrowers. If such right of set off is to be exercised, borrowers will be given intimation about the same with full particulars about the remaining claims and also the documents under which the Bank is entitled to retain the securities.

## **8. Information Secrecy**

All personal information of the customer would be kept confidential and would not be disclosed to any third party unless agreed to by the customer. The term 'Third Party' excludes all Law Enforcement Agencies, Credit Information Bureaus, Reserve Bank of India and other Banks and Financial Institutions. Customer information would be revealed only under the following circumstances:

- i. If the Bank is compelled by Law.
- ii. If it is in the Public Interest to reveal the information.
- iii. If the interests of the Bank require such disclosure.

## **9. General**

- i. In case of receipt of request for transfer of loan account, either from the borrower or from a bank, which proposes to take over the account, the consent or otherwise i.e. objection of the Bank, if any, would be conveyed within 21 days from the date of receipt of request.

- ii. The Bank reserves the right to enforce security for recovery of dues in the form and manner as it deems fit in case of default in payment or on the occurrence of any other event of default. However, in the matter of recovery of loans, the Bank will not resort to undue harassment viz. persistently bothering the borrowers at odd hours, use of force for recovery of loans etc.
- iii. The Bank would refrain from intervening in the affairs of the borrowers except as provided in the terms and conditions of the facility terms, unless new information, not earlier disclosed by the borrower, has come to the notice of the Bank.
- iv. Complaints and Redressal: In case of any complaint/grievance, the applicant/borrowers will have to inform in writing the concerned Branch/ Credit Officer who will provide an interim acknowledgement to the customer and then take up the matter with Head Office for redressal. The Branch would report the matter with full details within 7 days from date of receipt, to Head Office, who would take steps to redress and resolve the grievance/dispute, within a maximum period of 30 days.

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